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DA 05-2464

Released: September 19, 2005

## DOMESTIC SECTION 214 APPLICATION FILED FOR TRANSFER OF CONTROL OF CONNECTICUT TELEPHONE AND COMMUNICATIONS SYSTEMS, INC. AND CONNECTICUT BROADBAND, LLC, TO CTC COMMUNICATIONS GROUP, INC.

### STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 05-268

Comments Due: October 3, 2005

Reply Comments Due: October 10, 2005

On August 19, 2005, Connecticut Partner Telecom, Inc. ("CPT") and CTC Communications Group, Inc. ("CTC Group") (collectively, "Applicants") filed an application pursuant to sections 63.03 and 63.04 of the Commission's rules<sup>1</sup> requesting approval to transfer control of Connecticut Telephone and Communications Systems, Inc. ("Connecticut Telephone") and Partner Communications LLC, now known as Connecticut Broadband, LLC ("Connecticut Broadband") (collectively, "Transferees") from CPT to CTC Group.<sup>2</sup>

Applicants assert that this transaction is entitled to presumptive streamlined treatment under section 63.03(b)(2)(i) of the Commission's rules because, post-consummation, (1) CTC Group and its affiliates will have a market share in the interstate, interexchange market of less than 10%; (2) CTC Group and its affiliates will provide competitive telephone exchange services or exchange access services exclusively in geographic areas served by a dominant local exchange carrier that is not a party to this transaction; and (3) neither the Applicants nor any of their affiliates are regulated as dominant with respect to any service.<sup>3</sup>

Connecticut Telephone is a Connecticut corporation, and Connecticut Broadband is a Connecticut limited liability company. Transferees are competitive local exchange carriers that

<sup>1</sup> 47 C.F.R. §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

<sup>2</sup> Applicants are also filing applications for transfer of control associated with authorization for international services. Any action on this domestic 214 application is without prejudice to Commission action on other related, pending applications.

<sup>3</sup> 47 C.F.R. § 63.03(b)(2)(i).

provide a variety of telecommunications and information services to business and residential customers in Connecticut. Connecticut Broadband provides voice, data, Internet, and related services to business customers in Connecticut. Connecticut Telephone provides voice, data, Internet and related services to residential customers, as well as wireless services to business and residential customers, in Connecticut.<sup>4</sup> Transferees also each hold global Section 214 authority to provide international services on a resale basis. The Transferees are indirect subsidiaries of CPT, a Delaware corporation, which is jointly owned by Partner Communications Holdings LLC ("Partner") and Alexandra Telephone Acquisition, LLC ("ATA"). Prior to August 15, 2005, CPT was owned on a 50/50 basis by Partner and ATA.<sup>5</sup> Partner is a Connecticut limited liability company, while ATA is a Delaware limited liability company. Several minority shareholders indirectly hold 20% of the ownership interest in Connecticut Telephone in total.<sup>6</sup>

CTC Group, a Delaware corporation, is a holding company for CTC Communications Corp. ("CTC") and Lightship Telecom LLC ("Lightship"). CTC and Lightship are common carriers that provide communications services to medium and large businesses, predominantly in the northeast and mid-Atlantic regions.<sup>7</sup> The companies' service offerings include local, long distance, and toll free telephony services; post-paid calling card services; conference calling; frame relay, private line, DSL, VPN, ATM; Internet access, webmail and converged services. CTC and Lightship provide their services using CTC's broadband, IP-based network and Lightship's more traditional circuit switched-based network, as well as by reselling the local and interexchange telephony services of other telecommunications carriers. CTC Group is a wholly-owned subsidiary of Columbia Venture Broadband LLC ("CVC Broadband"), which is, in turn, a wholly-owned subsidiary of Columbia Ventures Corporation ("CVC"). CVC Broadband, a Washington limited liability company, is a holding company. CVC, a Washington corporation, owns and operates a portfolio of telecommunications companies and a small number of manufacturing businesses around the world. Neither CVC nor CVC Broadband provide telecommunications services. Kenneth D. Peterson, Jr., a U.S. citizen, holds 100% of the ownership interest in CVC. None of Mr. Peterson's ownership interests in U.S. telecommunications service providers outside of CVC exceed 10%. Mr. Peterson owns 100% of

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<sup>4</sup> The two companies deliver their wireline telecommunications services over an ATM-based broadband network that is deployed throughout the high-density business markets in Connecticut. This network consists of ATM switches as well as transmission facilities that they obtain from other telecommunications carriers. They also provide service through resale arrangements with other telecommunications carriers. Connecticut Telephone provides cellular and paging services only on a resale basis.

<sup>5</sup> On August 15, 2005, CTC Group took a minority interest in CPT by purchasing 99% of ATA's interest in CPT.

<sup>6</sup> Thus, prior to August 15, 2005, 1) Partner and ATA each held an indirect 50% ownership interest in Connecticut Broadband, and 2) Partner and ATA each held a 40% ownership interest in Connecticut Telephone, while the minority shareholders indirectly held 20% of Connecticut Telephone in total.

<sup>7</sup> CTC and Lightship serve customers in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia. In Virginia, CTC provides service through its wholly-owned subsidiary, CTC Communications of Virginia, Inc. ("CTC Virginia").

European Access Providers Limited ("LEAP"), a competitive provider of wireless and Internet over DSL services in Ireland. LEAP holds less than a 50% market share in the international transport and local access market in Ireland, and thus does not have market power in Ireland.

In August 2004, CVC notified the Commission that a number of wholly-owned CVC subsidiaries – CTC Virginia; CVC Acquisition Company (Ireland) Limited (now known as Hibernia Atlantic Cable System Limited or Hibernia Atlantic (UK) Limited or Hibernia UK); CVC Acquisition Company (Canada) Ltd.; and Columbia Ventures U.S. Acquisition (now known as Hibernia Atlantic U.S. LLC or Hibernia USA) – would operate under CVC's Section 214 authority. As previously indicated, CTC Virginia's service offerings and means of service are the same as CTC. The remaining CVC companies listed have ownership interests in Hibernia Atlantic (formerly known as the 360atlantic Cable Network), a submarine cable network extending between the U.S., Canada, the U.K., and Ireland. None of those companies provide regulated telecommunications services in the U.S. at this time, and none of the foreign Hibernia Companies have market power in their destination markets. CVC also holds ownership interests in two other foreign telecommunications carriers, Globestar Australia and Magnet Networks Limited ("Magnet Networks"). CVC's wholly-owned subsidiary, Columbia Ventures (Australia) Pty. Ltd., holds a 50% interest in Globestar Australia, a provider of competitive wireless services in Australia. Globestar Australia does not have market power in Australia, and Magnet Networks does not have market power in Ireland. CVC also owns one other telecommunications company that operates in the U.S. – Fiberlink LLC, d/b/a Columbia Fiber Solutions, a dark fiber provider in Washington state.

On August 12, 2005, CTC Communications Leasing Corp. (a wholly-owned subsidiary of CTC Group ("Buyer")), CPT, Partner, Alexandra Broadband, Inc. ("Alexandra Broadband"), ATA, and Alexandra CTEL Holdings, Inc. ("Alexandra CTEL Holdings") entered into a Stock and Partnership Interest Purchase and Sale Agreement (the "Purchase Agreement"). Pursuant to the Purchase Agreement, on August 15, 2005, Buyer purchased 99% of ATA's interest in CPT from ATA in return for a cash payment, thereby giving Buyer (and Buyer's ultimate parent company, CTC Group) a 49.5% interest in CPT.<sup>8</sup> In acquiring this 49.5% interest, Buyer did not obtain any rights to appoint officers or directors of CPT or otherwise obtain *de facto* control of CPT. The Purchase Agreement provides that at final closing, Buyer will purchase the remaining 1% of ATA's interest in CPT from ATA, as well as of Partner's interest in CPT, in return for cash payment.<sup>9</sup> Thus, at final closing, Buyer will assume control of CPT and will obtain the right to appoint its officers and directors. Final closing is contingent on receipt of all necessary regulatory approvals. At or shortly after closing, the business customers of Connecticut Broadband will be migrated to CTC without change in service or associated rates, terms or conditions and after all required regulatory filings are made and approvals obtained. No change

<sup>8</sup> Thus as of August 15, 2005, CTC Group held an indirect 49.5% interest in Connecticut Broadband and an indirect 39.6% interest in Connecticut Telephone.

<sup>9</sup> The interests of the minority shareholders in Connecticut Telephone will be extinguished pursuant to prior existing drag-along right at final closing.

of carrier is anticipated at closing for the business or residential customers of Connecticut Telephone and, thus, the proposed transaction will be transparent to them.

The Applicants submit that the proposed transaction will serve the public interest, stating that consumers in the Northeast, particularly Connecticut, will benefit from the operation of four competitive LECs - Connecticut Telephone, Connecticut Broadband, Lightship, and CTC - under one umbrella company, CTC Group. They assert that the combination of Connecticut Broadband and Connecticut Telephone with CTC will further strengthen the competitive position of these companies as a leading regional competitive telecommunications provider in the Northeast, and will significantly strengthen the ability of the combined companies to compete more effectively in Connecticut.<sup>10</sup> Moreover, the Applicants state the combined companies will benefit from increased economies of scale that will permit them to operate more efficiently and thus realize substantial financial synergies that should enable the combined companies to increase their operating income and free cash flow.

### **GENERAL INFORMATION**

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer of control application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 CFR §§ 1.415, 1.419, interested parties may file **comments on or before October 3, 2005** and **reply comments on or before October 10, 2005**.<sup>11</sup> Unless otherwise notified by the Commission, Applicants are permitted to transfer the assets and related control on the 31<sup>st</sup> day after the date of this notice.<sup>12</sup> Comments may be filed using: (1) the Commission's Electronic Comment Filing System (ECFS), (2) the Federal Government's eRulemaking Portal, or (3) by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- Electronic Filers: Comments may be filed electronically using the Internet by accessing the ECFS: <http://www.fcc.gov/cgb/ecfs/> or the Federal eRulemaking Portal: <http://www.regulations.gov>. Filers should follow the instructions provided on the website for submitting comments.
- For ECFS filers, if multiple docket or rulemaking numbers appear in the caption of this proceeding, filers must transmit one electronic copy of the comments for each docket or rulemaking number referenced in the caption. In completing the transmittal screen, filers should include their full name, U.S. Postal Service mailing address, and the applicable

<sup>10</sup> CTC Group notes that Lightship does not currently provide service in Connecticut.

<sup>11</sup> See 47 C.F.R. § 63.03(a).

<sup>12</sup> Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions, filers should send an e-mail to [ecfs@fcc.gov](mailto:ecfs@fcc.gov), and include the following words in the body of the message, "get form." A sample form and directions will be sent in response.

- **Paper Filers:** Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

The Commission's contractor will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, NE., Suite 110, Washington, DC 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail should be addressed to 445 12<sup>th</sup> Street, SW, Washington DC 20554.

**People with Disabilities:** To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to [fcc504@fcc.gov](mailto:fcc504@fcc.gov) or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

**You may submit comments, identified by the above noted docket number, by any of the following methods:**

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.
- **Federal Communications Commission's Web Site:** <http://www.fcc.gov/cgb/ecfs/>. Follow the instructions for submitting comments.
- **People with Disabilities:** Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by e-mail: [FCC504@fcc.gov](mailto:FCC504@fcc.gov) or phone: 202-418-0530 or TTY: 202-418-0432.

**In addition, one copy of each pleading must be sent to each of the following:**

- (1) The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, SW, Room CY-B402, Washington, DC 20554, [www.bcpweb.com](http://www.bcpweb.com); phone: (202) 488-5300 fax: (202) 488-5563;
- (2) Tracey Wilson-Parker, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 5-C212, Washington, D.C. 20554; email: [tracey.wilson-parker@fcc.gov](mailto:tracey.wilson-parker@fcc.gov);
- (3) Alex Johns, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 5-C317, Washington, D.C. 20554; email: [alexis.johns@fcc.gov](mailto:alexis.johns@fcc.gov);
- (4) Renée R. Crittendon, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 5-C311, Washington, D.C. 20554; e-mail: [renee.crittendon@fcc.gov](mailto:renee.crittendon@fcc.gov);
- (5) Susan O'Connell, Policy Division, International Bureau, 445 12<sup>th</sup> Street, S.W., Room 7-B544, Washington, D.C. 20554; email: [susan.o'connell@fcc.gov](mailto:susan.o'connell@fcc.gov); and
- (6) James Bird, Office of General Counsel, 445 12<sup>th</sup> Street, S.W., Room 8-C824, Washington, D.C. 20554; e-mail: [james.bird@fcc.gov](mailto:james.bird@fcc.gov).

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC, 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail [www.bcpweb.com](http://www.bcpweb.com).

For further information, please contact Tracey Wilson-Parker, at (202) 418-1394, or Alex Johns at (202) 418-1167.

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